

DEPARTMENT OF TRANSPORTATIONDIVISION OF LOCAL ASSISTANCE, **MS 1**

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October 27, 2006

To: Metropolitan Planning Organizations
Regional Transportation Planning Agencies
Local Transportation Commissions
Public Works Directors of All Cities and Counties in California

Dear Executive Director:

Subject: Quarterly Review of Inactive Obligations – Quarter Ending on September 30, 2006

The California Department of Transportation (Caltrans) has started the quarterly review of projects with inactive obligations for the period beginning July 1, 2006 and ending September 30, 2006, as required under CFR 630.106. The list of projects with currently inactive obligations is available on the Division of Local Assistance website at:

<http://www.dot.ca.gov/hq/LocalPrograms/QuarterlyReviewofInactiveProjects.htm>.

To prevent deobligation and/or loss of unexpended federal funds, the Local Agencies must review the list of inactive projects and take one of the following actions:

1. Submit complete and correct invoice for eligible expenditure to Caltrans Local Program Accounting by November 8, 2006.
2. Identify unneeded project funds and submit deobligation requests to the District Local Assistance Engineer (DLAE) by December 1, 2006. Process project final closeout if applicable.
3. Submit complete justification form (available on the website) along with supporting documentation to the DLAE by December 1, 2006, for all other inactive projects for which Local Agencies have not taken neither action 1 nor 2 as listed above.

The review of inactive obligations is performed each quarter. At the end of each review period, Caltrans meets with the Federal Highway Administration (FHWA) to review all the inactive obligations. Projects without financial transaction (invoice or deobligation) in FHWA's database (FMIS) require a justification form to explain the delays in billing unexpended federal funds. If FHWA does not accept the justification provided by the Local Agency, the unexpended federal funds will be deobligated and Local Agency may be required to repay any federal fund received to date.

Local Agencies that have indirect cost rate proposal awaiting approval by the Caltrans' Audits and Investigations should continue to submit invoices for eligible direct cost until the indirect cost rate proposal is approved.

In addition to the currently inactive local projects, a "Look Ahead Report" is also available on the website. The Look Ahead Report includes projects that will become inactive by the end of December 2006 and projects that will become inactive by the end of March 2007, if no expenditures are billed. This report provides an opportunity for Local Agencies to be proactive in preventing projects from becoming inactive and the potential loss of federal funds. Our goal is to prevent projects from becoming inactive and not have to depend on FHWA's approval to keep the project from being de-obligated.

Please contact your DLAEs if you have any questions regarding the quarterly review process.
Thanks.

Sincerely,

TERRY L. ABBOTT

Chief

Division of Local Assistance

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